

*Notification No. D. 814—C. S. 11-36-5, dated Bangalore,
27th July 1936.*

It is hereby notified for the information of the public that the report of the Committee appointed in G. O. No. D. 2763-2833—C. S. 8-35-5, dated 29th October 1935, to enquire into the working of the Co-operative Movement in the State has been published. A summary of the recommendations made by the Committee is reproduced below:—

Persons and institutions desiring to offer comment or criticism on the recommendations may do so before the 25th September 1936.

Persons desiring to have copies of the full report may get them from the Curator, Government Book Depot, Bangalore. The price of the publication is annas 12.

By Order,

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*Secretary to Government,
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RESUME OF RECOMMENDATIONS.

PART I.—Organization.

CHAPTER II.

PRIMARY CREDIT SOCIETIES.

Preliminaries
to
Registration.

The organization of societies should only be undertaken by the Department or by some responsible non-official agency authorized by the Registrar. The formation of a society should always be preceded by due enquiry.

Instruction
to members
and office-
bearers.

Members should have explained to them the main principles of co-operation and the practical working of co-operative societies. Members as well as office-bearers and the staff should receive adequate instruction as to various essential matters.

Area of rural
societies.

Membership in rural societies should be confined to the inhabitants of a single village if sufficiently large, or of one village and its hamlets, or of a number of villages within a radius of about three miles in the Maidan or five miles in the Malnad.

Duplication
of societies.

As a rule, there should be only one bank or other specific type of society for the same compact area. But where the area is too large to be adequately served by a single institution, separate societies may be permitted to be formed with different jurisdictions. Where there are more societies than one working in the same limited area, either they should be amalgamated or the members should be suitably re-distributed.

Division of
societies.

Provisions as to division of societies, on the lines of section 13 of the Madras Act, may be usefully introduced.

Multiple
membership.

No member of a credit society with unlimited liability should be admitted into a second similar society until he has withdrawn from membership of the former; and no person should be allowed to pledge his unlimited liability in more societies than one. With a view to limit the present unrestricted freedom to borrow in credit societies generally, a rule may be made that no person, being a member of a credit society, except a land mortgage bank or a central financing bank or a house-building society, shall be a member of any other credit society without the general or special sanction of the Registrar, and that where a person has become a member of two such credit societies, either or both of the societies shall be bound to remove him from membership upon a written requisition from the Registrar to that effect.

It is desirable to have a definite rule providing that, whenever it becomes necessary to take coercive steps against a member for default, he should normally be removed from membership unless he at once makes full payment.

Removal from membership.

A general rule may be made declaring that defaulters are ineligible to vote at meetings, and to serve on committees, with power to the Registrar to exempt rural Societies.

Disqualification of defaulters.

It should be incumbent on the committee to take immediate steps to remove a member who ceases to be qualified under the rules or by-laws.

The Registrar should have power to rescind any resolution or action of a society or its committee or any of its officers, which may contravene the principle that the discussion or propagation of controversial opinions of a political or religious character are to be entirely excluded from the activities of the movement.

Exclusion of political and religious activities.

Unlimited liability is best adapted for small village societies which do not require much capital, and in which membership is restricted to a small area. In non-agricultural societies, liability should, as a general principle, be limited.

Liability.

In special cases, where members are prepared to take adequate reserve liability on their shares, an agricultural credit society may be permitted to be formed on a limited liability basis.

It is important that the committee of management should not be placed beyond the control of the general body. It is necessary, on the one hand, to affirm and safeguard the position of the general body as the supreme authority in all matters affecting the administration of the society, and, on the other, to see that adequate powers of executive management are delegated to the committee. The allocation of functions in the by-laws should be quite clear and definite in these respects.

Powers and Responsibilities of Committees.

The by-laws of societies should provide for the compulsory retirement by rotation of a certain proportion of committee members every year, and their replacement by new members. An exception to this may be allowed in the case of societies where the needful facilities for change do not obtain.

Period of office.

No person should ordinarily be eligible to serve simultaneously on the committees of more than one society of the same type without the sanction of the Registrar. A central financing institution and a primary urban bank may be taken to be of different types for the purpose of this rule.

Service on several Committees.

*It is inexpedient to lay down as a necessary qualification for a seat on the committee the possession of a certain number of the society's shares.

Qualifications for Membership of Committees.

In all agricultural and in the smaller non-agricultural societies, the Chairman and the members of the managing committee should serve without remuneration. In other institutions where the work is complicated and heavy and requires much time on the part of one or more members, a moderate honorarium may be paid.

Remuneration of office-bearers.

Some reasonable compensation by way of bonus will usually have to be paid to the Secretary. The present limit of 12½ per cent of net profits, subject to a maximum of Rs. 250, is generally recognized to be too low, and may be raised to 15 per cent with a maximum of Rs. 300. Where no clerical assistance is given to the Secretary, an additional 5 per cent may be allowed.

Bonus to Secretary.

Every society which can afford the cost should have a full time paid staff. In every credit society with heavy transactions, there should be also a trained and fully qualified Manager.

Paid staff.

*Where the membership of an urban bank exceeds a general limit of 1,500 (or, with the special permission of the Registrar, 2,000), further admissions must be stopped, the needs of new applicants being served by the formation of an additional bank, and the sphere of operations of the two institutions defined so as to avoid overlapping.

Limit of membership in Urban Banks.

There should ordinarily be only one bank for each urban area, with one or more branches in the outlying wards or suburbs. But in the larger towns and cities, it would be preferable to have separate banks with jurisdiction over different

Number of banks in urban areas.

	parts or extensions so as to avoid needless competition and conflict of interests.
Defaulters in other societies.	No person should be admitted to membership of any society if he has not fully discharged his obligations to other societies.
Grain Banks.	The utility of Grain Banks—in view of various difficulties connected with their working—is strictly limited.
Women's Societies.	There is no special need for separate credit societies for women as a class.
	Where separate societies may advantageously be organised is in connection with the encouragement of thrift, the carrying on of simple home industries, the purchase and sale of articles and the training and employing of women in subsidiary occupations.
Communal Societies.	There are various theoretical and practical objections to the formation of purely communal societies. But provided their activities are confined to the promotion of the economic interests of their own members and do not overflow into anti-social channels in relation to other communities, there is no reason to place any particular restrictions on their working.
Societies for Depressed Classes.	Special Adikarnataka Societies should only be continued in respect of specific trades like shoe-making and weaving, or where Adikarnatakas cannot get admission freely to the general societies. Adikarnataka societies, as long as they are continued, require special help in the shape of a paid Secretary, and of loans at low rates of interest, and also provision for subsidiary occupations for the members.
Societies for salary earners.	In societies for salary earners, subscriptions to provident funds may well be made compulsory, and the advantages of co-operative insurance secured for members.
Government servants.	The scope for indiscriminate borrowing on the part of Government servants will be curtailed by a rule imposing stringent restrictions on multiple membership. A Government servant ought to be prohibited from borrowing from any outside source, so long as there is a departmental or office society of which he is or can be a member, and which is prepared to give him sufficient and reasonable credit for his current requirements up to the maximum limit of his borrowing capacity.
	It is necessary to devise a scheme for the redemption of the existing outside debts of officials, preferably through the agency of departmental societies.

CHAPTER III.

PRIMARY NON-CREDIT SOCIETIES.

Multiple objects.	Assuming that incompatible activities are not combined, that unlimited liability is not risked in transactions for which it is unsuitable, and that efficiency is in no way sacrificed, there is no objection to credit societies undertaking non-credit activities as additional or secondary functions, the transactions and accounts of the two sides of activity being kept distinct.
Crop loans.	The system of crop loans should be encouraged and worked under due safeguards.
Loan and Sale Societies.	The organization of separate loan and sale societies, working independently of credit societies, requires active encouragement and support from the Co-operative Department, and sufficient financial assistance in the early stages from the Apex Bank. Where suitable godowns are not available for rent, Government may be moved to advance loans for their construction on an inexpensive scale.
Joint marketing.	For the purpose of extending the marketing facilities in the State, societies may be formed for the marketing of commercial crops and industrial products. Liberal help from Government will be needed in the shape of grants for initial expenses, and advances for the building or hiring of warehouses or godowns, in trade centres. A beginning may be made by way of experiment in selected areas where the conditions are favourable and the necessity is greatest, as in the case of the areca-growing tracts of the Malnad, such as Sagar, Tirthahalli and Koppa.

The formation of a central areca sale co-operative society, with godowns at Shimoga and affiliated societies or branches all over the areca-growing area, may be taken up for early consideration.

Central Areca
Sale Society.

The Agricultural Department may, with advantage, utilize more largely the agency of credit societies for distributing improved seed and implements, and also help in the general supervision and development of special non-credit societies. Societies should not be required by the Department to purchase things outright irrespective of whether this would work at a profit or loss.

Supply of
seeds, manure
and imple-
ments.

Permissive legislation may be undertaken, on the lines of the Central Provinces Act, to provide for consolidation being carried out in villages where a majority of the owners holding a certain minimum area of land have agreed to the preparation of a scheme.

Consolidation
of holdings.

Societies for cattle-breeding can only be properly organized in the bigger villages, and that too if adequate grazing grounds be made available on favourable terms.

Cattle
breeding.

With a view to the supply of pure milk to the residents of the cities of Bangalore and Mysore, dairy societies of distinct types may be organized, one consisting of the producers of milk in the neighbouring villages, and the other of the consumers. Initial help will be required in the shape of dairy equipment, and charges of management for the first few years, as well as an assurance of purchase of the milk requirements of medical institutions.

Dairying.

Cattle insurance is a somewhat speculative undertaking and requires expert knowledge. There has so far been no genuine demand from the people for such societies in Mysore.

Cattle
Insurance.

The work of organizing the people for village industries, and supplementing their regular pursuits by side occupations, may be done through societies of various kinds which will provide raw material, employ labour, advance wages, provide wholesale depots, and arrange for the sale of the finished products in towns and commercial centres. A systematic enquiry should be made into the economic conditions of any industry proposed to be taken up, and a practicable scheme prepared in each case.

Rural
Industries.

Co-operative institutions should be established to finance rural industries on a larger scale than at present. The formation of new societies in different parts of the State where there are suitable openings will have to be undertaken cautiously, with the help and encouragement of Government, and under expert departmental advice.

Formation of
Industrial
Societies.

The Apex Bank with its large surplus funds should find it possible to help primary industrial societies to a larger extent than now. The provision of adequate marketing facilities requires continuous and systematic attention from the Department of Industries and Commerce.

Financial and
marketing
facilities.

The decline in the weaving industry can only be arrested by suitable organization, special financial and marketing help, and competent technical and expert guidance. The rehabilitation of weavers' societies requires special measures of help on the part of Government. There are various practical difficulties of organization and supervision, which cannot be met except by the formation of a Central Society and provision for expert advice and guidance.

Weavers'
Societies.

The work of the sericultural societies is hampered by the inadequacy of funds and the lack of technical guidance and help. What they most need is the services of technical workers for carrying on the technical operations; increased sales are expected to meet a part of the cost; the balance will have to be contributed by Government.

Sericultural
Societies.

A desirable extension of co-operative activities would be the joint marketing of cocoons and, where possible, joint reeling. The possibility of organizing co-operative reeling societies, aided with Government funds and supervised by the Sericultural Department, may be investigated.

Co-operative
Reeling.

In stores societies regard should be had in fixing prices to the current market rates, from which they should not ordinarily vary to any marked extent, and allowance must be made from

Stores.

time to time for fluctuations in prices. Co-operative stores must buy wholesale, and buy more directly from the sources of production than they do now. Cash sales should be the rule for all; but where credit is allowed, it should be restricted to members and to the extent of their paid up share or other assets in the society. The profits derived from stores should, after the prescribed allotment to reserve and after paying a reasonable preferential rate on shares, be disbursed entirely on custom in the shape of rebates to members.

Central
Store.

While there are obvious advantages in having one strong central wholesale organization, which could make purchases at source in large quantities for supply to small societies, there is no insistent demand at present for a Central Society, while the need for the large capital and expert management required will remain as an obstacle in the way of its near realization.

House
building
Societies.

House building societies may with advantage take direct and active part in constructional work. Societies of the kind should help members with type designs as well as assist in the preparation of plans according to individual tastes and requirements. They should be able to procure building materials cheaply, and where possible they should join with other societies in ordering or manufacturing them. They should also in time take up the work of construction for their members. Where they have adequate funds and proper expert help, and especially where they have themselves undertaken the supply or manufacture of house building materials, they may well build a certain number of model houses at their own cost on well-considered type-plans and either lease them to members or sell them on the instalment system.

Repayments
of house
building
loans.

The equated system of repayment should be generally adopted. A rebate of half per cent below the rate charged should be granted to members, and by Government to societies, for payments made in advance. Repayments should be allowed either monthly or annually.

Central
institution
for financing
House-build-
ing Societies.

While a Central house construction society does not seem to be quite practicable at present, it is however necessary to have one Central institution entrusted with the function solely of providing the requisite long-term finance for house building societies.

Rate of
interest.

To enable house building societies to make full use of the financial assistance offered by Government, it is necessary to lower the rate of interest to members to 6 per cent and to extend the period of repayment up to 20 or 25 years. The Government may be pleased suitably to alter the terms of their loans to allow of this being done.

Acquisition of
land.

The law should be suitably amended so as to permit of the compulsory acquisition, on behalf of co-operative housing societies, of land required for house building purposes.

Technical
assistance.

Where the work undertaken by a society is on a large scale, free technical assistance should be given by the Public Works Department.

Labour
Societies.

There seems to be scope in the Mysore State for societies for the labour classes on the lines of those started in Madras.

Charitable
allotments.

Some at least of the available charity funds should be pooled together and systematically used for some common purpose benefiting the movement as a whole, such as propaganda and education.

CHAPTER IV

FINANCING INSTITUTIONS.

Future policy
as to financing
of Primary
Societies.

There being no present necessity for District Central Banks, the Mysore Provincial Apex Bank should be able to carry on as sole financing agency for the primary societies in the State, with the aid of branches to be established by it in the more important centres (beginning with the Mysore City) as the need arises. The absence of local knowledge and the necessity of having to devolve responsibility on agents are no doubt disadvantages; but they may be minimized by associating local advisory committees

with the work of the branches. The local committees may be invested by delegation with powers of supervision, including the power to sanction loans up to a limited extent.

In order that the movement may function efficiently and profitably, it is necessary that the connection to be established between it and the money market should be brought about through the Central financing institution. Balancing being performed by the Central institution and by it alone, primary societies (including urban primary banks) should be forbidden to have direct financial relations with each other.

Balancing to be performed by Central Institution.

There should be a rule definitely disqualifying representatives of defaulting societies from voting at general meetings of the Central institution.

Representatives of defaulting Societies not to vote. Loans to be confined to Societies.

The Provincial Apex Bank should leave individuals to obtain their requirements from primary urban and other societies, which already exist for this very purpose, and confine itself to the financing of the primary societies.

It is unnecessary and inexpedient to permit the Apex Bank to lend money to non-member depositors on the security of their deposits.

Loans to non-member depositors.

Affiliation must be placed on its proper basis as a necessary condition of mutual benefit and community of interest.

Affiliation and reciprocal facilities.

*All primary societies, rural and urban, should be required to affiliate themselves to the Apex Bank, and to invest their surplus funds and a substantial portion of their unutilized reserves to the extent of one-third with that institution.

The latter should, for its part, allow these investments to be used as fluid resource, provide suitable cash credit on the security of the investments, and otherwise grant prompt credit on relatively easy terms to the permissible extent, and should afford to the affiliated societies such facilities generally as can be obtained from joint stock banks.

It is necessary to raise the strength of the Directorate of the Apex Bank from thirteen to fifteen. Five places should be reserved exclusively for representatives of rural societies, and five for representatives of urban societies, both credit and non-credit; and two for representatives of individual share-holders. This will leave—besides the President, who will be elected by the general body—two places, both of which should be filled by nomination by Government. One of the Directors so nominated may with advantage be the Comptroller.

Directorate of Apex Bank.

The constitution of the Directorate of Central institutions should be defined in outline in the Regulation itself, leaving details to rules. One such rule should provide explicitly for the automatic retirement every year of a third of the Directors by rotation.

The management of a Provincial Bank calls for practical training and financial knowledge and experience of a high order. The services of trained bankers on the Directorate should, where possible, be secured by co-optation, if not by election. Early steps should be taken to engage on a suitable salary a duly qualified and capable person as Manager. It is essential also to have a qualified Auditor on the staff.

Management of Provincial Bank.

The Provincial Bank and other co-operative institutions should confine themselves to borrowing and lending for short and intermediate terms, leaving long term finance entirely in the hands of the Land Mortgage Bank. This is apart from the separate recommendation made with regard to the financing of house-building Societies.

Banking facilities.

So far as primary societies are concerned, they should seek loans and cash credits from the Apex Bank. But the Apex Bank may well look to the Bank of Mysore for special help of the kind given by the Imperial Bank and the new Reserve Bank in British India.

What is chiefly needed is an arrangement with the Mysore Bank for giving adequate accommodation to the Apex Bank, in the shape of a cash credit on the security, and up to 75 per cent of the amount, of the promotes of rural societies backed by their endorsements. It is desirable, at the same time, that the Apex Bank should have the moral backing of Government in the shape

of a promise of a definite advance of 2 lakhs of rupees whenever required.

PART II.—Finance.

CHAPTER V.

CAPITAL RESOURCES.

Attraction of deposits.

Deposits in a primary society should as far as possible be confined to persons with local interests, and deposits from outside the locality should be discouraged.

Rates of interest.

While the actual rates of interest will vary according to local conditions and requirements, it is necessary to prevent undue variations and competition of rates in the same area, and also to guard against the danger of leaving too narrow a margin between lendings and borrowings. For these reasons and in order to safeguard the interests of the movement as a whole, it is desirable that the Registrar should continuously watch the rates of interest proposed to be adopted from time to time.

Provident Fund Bonds.

Every endeavour should be made to bring home to members especially in urban societies, the distinct advantages offered by a scheme of Provident Fund Bonds.

Currents deposits.

Current accounts may be allowed in urban banks under suitable safeguards. But the system is unsuited to primary rural Societies.

Security amounts.

Government servants, treasurers, etc., who have to tender security, may be permitted at their option to place the security amount in a co-operative institution.

Inter-finance.

Primary societies should not be permitted to borrow directly from one another. The Provincial Apex Bank should be the sole medium for inter-finance within the movement.

Borrowing power of societies.

It is the duty of the Directorate of the Central financing Bank to fix every year the maximum sum it is prepared to lend to a society.

Some at least of the delay in the investigation of loan applications and issue of loans may be obviated if the investigation of a society's borrowing capacity, instead of being postponed till after a specific loan application is received, is taken up as part of a systematic process of the assessment of the financial position of all affiliated societies to be conducted periodically.

Authorisation of committees.

The general body of every primary society should, once a year at its annual meeting, fix the maximum limit up to which its committee is authorized to borrow without its sanction, the committee being personally responsible for loss if the limit fixed is exceeded.

Concessional rates.

Central financing institutions are expected to show all possible consideration to their primary societies in the matter of the rates of interest on loans. They should lend at concessional rates sums required by societies up to the extent of the reserve fund of the latter kept in deposit with them.

Custody of cash and securities.

Strict rules should be made regarding the custody of cash and securities.

Security from cashiers.

Cashiers should give security for the full amount of till money. Cash balances should be checked in detail at each audit.

CHAPTER VI.

EMPLOYMENT OF CAPITAL.

Preliminary investigation.

A loan should in no case be given without adequate preliminary investigation. In the case of loans to societies, the central financing bank ought to make its own independent investigation irrespective of the Registrar's recommendation. In the case of loans to individual members, it is most important to scrutinize carefully the purpose of the loan and the repaying capacity of the borrower.

Individual borrowings to be confined to one society.

Where a person is a member of more credit societies than one, he should be required to confine his borrowings to one of them. If a member of an unlimited liability society joins another

one and so pledges his liability twice over, he ought to be expelled. There should be a clear rule that, where a person has become a member of two such societies, either or both of the societies shall be bound to remove him from membership upon a requisition from the Registrar.

Loans should not be granted except for productive purposes. But where owing to custom or sentiment some non-productive expenditure has to be accepted as necessary, the loans should be granted sparingly and under close supervision.

Co-operative institutions should be required to confine their business to short term credit, that is, for periods not exceeding five years and, with due circumspection, to credit for intermediate periods between five and ten years. Credit for periods over ten years must be treated as long credit, and altogether eschewed by the ordinary co-operative institutions.

The Central financing Bank should assess the credit of an affiliated society after re-examining and testing the society's own estimate of its borrowing power and the data on which the society has fixed the normal credit of its members, and considering the society's needs and its own existing funds. Loans granted by societies to members should be based, not so much upon the value of their property and assets as upon their capacity to repay out of the proceeds of their crops or other incomings in the case of short loans, and out of their savings in the case of other loans.

Except in rural societies with a limited membership, the fixing of credit for each individual member is a matter not for the general meeting, but for the managing committee, subject to the maximum credit limits fixed by the general body.

The introduction of the normal credit system in primary societies is desirable, particularly as regards rural societies.

In the case of societies with unlimited liability, a list showing the loans issued to every member, the names of sureties, and the amount of loan unpaid, should be kept open to inspection.

In well established societies, the practice of allowing cash credits to individual members may be adopted with advantage. Similarly, cash credits should be freely opened by the Central financing institution in favour of well managed societies, but should be subject to annual renewal.

The rates of interest charged by the Central financing Banks on loans to societies must, on the one hand, be materially lower than those charged in the bazaar to persons of the class from whom the members are drawn, and yet must be substantial enough to provide the large margin necessary for maintaining adequate fluid resource, building up a reserve, and meeting working expenses. The rates will, at the same time, vary on a definite system with reference to the character of the borrowing society and the length of the loan. Two and a half or at most 3 per cent may be taken in the average as a safe and reasonable margin. The maximum rates charged by societies to members should not depart widely (that is, by more than one or one and a half per cent) from the current market rates.

The primary security for every loan should generally be personal. Ordinary co-operative societies would be well advised to shun mortgage security, to confine themselves to personal securities for all loans, and to protect themselves by limiting the loans issued to amounts and periods for which such security is suitable. In the case, however, of loans for intermediate periods, it may be necessary for societies to take collateral protection in the shape of a pledge or mortgage of tangible property.

Societies may be permitted, in the absence of bidders for the lands of defaulters, to take them over for a nominal bid, administering them like trust properties on behalf of the defaulters and returning them to the latter whenever the liability is liquidated.

Agricultural credit societies, and loan and sale societies, should grant short term loans on the security of harvested crops grown by members, and, under due safeguards, on standing crops also.

Purpose of loans.

Period.

Assessment of credit.

Fixing of credits.

Normal credit.

Information as to loans.

Cash Credit.

Margin of interest.

Security.

Taking over lands of defaulters.

Loans on crops.

Prior claim to be converted into charge.

Section 19 of the Regulation gives a society a prior claim to enforce demands against certain property of its members. This should be converted into a charge so that a society may have a first claim without having to obtain a decree. The priority should be made available against any claim of the Government arising from a subsequent loan under the Land Improvement Loans Regulation.

Shares and Provident Fund Bonds not to be accepted as security.

The member's own share should never be accepted as security for a loan. Similarly shares held by a society in a Central institution should not be accepted by the latter as security for a loan. The security required from societies should ordinarily take the form of pro-notes. It is very undesirable to accept Provident Fund Bonds as security for loans.

Disbursement of loans.

Loans should be disbursed with fair promptitude. The introduction of a system of normal credits will help substantially to minimize delay in the issue of loans. Where loan applications are numerous, sub-committees may be appointed to grant loans up to a specified limit, beyond which the applications should come before the full committee of management.

Utilization of loans.

The proper utilization of the loan should not be left to the borrower's discretion or the vigilance of his sureties, but should be watched and scrutinized by the managing committee.

Repayments.

While the special needs of individual borrowers will determine the periods for which loans are granted, repayments should be on dates convenient to the borrower as well as to the society or bank.

Penal interest and Rebates.

Penal interest, if levied, should not be excessive; in any case it should not exceed the ordinary rate by more than two per cent. It is desirable to have a regular system of rebates for prompt repayments.

Extensions for proper cause.

Renewals and extensions should not be granted too freely and without just cause. The existing conditions of economic depression and diminished earnings warrant some relaxation.

Adjustments of payments.

*All payments on account of decreed debts should be carried to principal and not to interest; no credit should be taken for interest until the principal has been repaid.

Repayments must be real, and must correspond with a real reduction of the borrower's liabilities, and not be made by a re-arrangement of debts.

Renewals.

Renewals should not be permitted until the interest in full and at least 25 per cent of the principal is paid by the borrower, nor in any case till after the lapse of a prescribed interval, which should not be less than a month or six weeks.

Credit statements, and Demand and Recovery statements.

It is desirable to insist on the maintenance of "Credit Statements," as well as to introduce a system of "Demand and Recovery" statements.

Accounts of Loans.

The system of accounts should show clearly whether any repayments have been made, what loans have been extended, and which have become overdue. Renewed and overdue loans must be clearly discernible. Loans overdue for more than three years should ordinarily be treated as bad debts.

Responsibility for negligence.

The members of the committee should be made personally responsible, jointly and severally, for the repayment of loans which by their negligence may have become time-barred.

Precautionary measures.

The application of personal pressure on the borrower's sureties should always be the first of the precautionary measures to be adopted. Apart from this, the only other way of ensuring payment is to put pressure upon the borrower to repay according to the best of his capacity.

Defaulters.

Persons against whom coercive steps have been taken show themselves to be unfit to continue to be members, and should automatically cease to be such (unless liable only as sureties). A person who has defaulted in respect of his own loan for three months should be disqualified from the office of a member of the committee.

Systematic examination of outstandings.

Societies and financing banks should undertake a systematic examination of their financial position with reference to their outstandings. Every loan in each society should be examined with a view to ascertain whether it is adequately secured, and

whether action should be taken at once to collect it, or time can be given to enable the borrower to pay it of his own accord. In addition to action taken by societies, the Central institutions should themselves set on foot intensive schemes for an examination of all loans outstanding against members in primary societies.

There should be a definite rule prohibiting the inclusion of all accrued and unrealized interest for the purpose of reckoning profits for distribution. But in the case of Central institutions the Registrar may, in special cases, permit an exemption in favour of preference shareholders. Interest earned but not realised should be shown separately in the profit and loss account. All accrued interest so deducted, which is actually recovered during a subsequent year, may, however, be permitted to be added to profits of such year available for distribution. No dividend should be paid otherwise than out of profits actually realized.

Overdue interest not to be included in net profits.

The maximum dividend should be restricted to a fair interest on capital.

Maximum dividends.

Thrift and savings societies, which neither borrow from non-members nor lend to members in excess of their assets, should be exempted from maintaining a compulsory reserve.

Reserve in case of thrift and savings societies.

The share capital *plus* the accumulated reserve fund should not be less than one-tenth of the total liabilities (including loans and deposits).

Proportion of owned capital to liabilities.

Usually, the reserve fund should be invested in one or other of the modes laid down in the Regulation and rules up to a limit prescribed by the Registrar, the excess being permitted to be employed productively in the society's own business.

Employment of Reserves.

In societies of unlimited liability, the bulk if not the whole of the reserve fund may be used in their ordinary business as working capital; so also in societies which have no deposits. But in other societies a moiety of the reserve fund should ordinarily be invested outside.

In the case of the Apex Bank, one-third of the reserve fund should ordinarily be invested in gilt-edged securities, including redeemable Government securities or Land Mortgage or other debentures guaranteed by Government, and the remainder permitted to be employed as working capital. Reserve funds of primary societies should be either invested in gilt-edged securities or guaranteed debentures as aforesaid, or deposited with their central financing institutions.

Investment of Reserve Fund.

The option given to a society by section 32 to invest funds in the shares of any other society should be qualified by a proviso that no such investment shall be made in the shares of any society other than one with limited liability.

Where any portion of the reserve fund is permitted to be used as working capital, interest thereon at the same rate as for deposits for one year should be added to the reserve.

Profit on reserve used as capital.

Co-operative societies and banks should be required to make satisfactory provision for all overdue loans considered to be irrecoverable before any dividend is declared. After the building up of a reserve fund has made some progress, it will be desirable to form a special Bad Debt Fund in addition.

Bad Debt Fund.

Limited liability societies will be well advised to create a "Share Transfer Fund".

Share Transfer Fund.

The limit of contribution fixed in section 34 of the Regulation may be raised to 20 per cent of the net profits, and at least one-third of the aggregate earmarked as a provincial fund for the promotion of co-operative education.

Contributions to charitable purposes.

CHAPTER VII.

FLUID RESOURCES, STATE AID, ACCOUNTS.

Societies which hold large deposits should arrange to have a cash credit with their central institutions for meeting demands unforeseen and unprovided for. Loans from other societies or banks should not be resorted to except when absolutely necessary

Cash Credit as Fluid Resource.

Standard of
Fluid Re-
source.

to meet calls which could not be anticipated or otherwise provided for. A central financing institution must keep a fluid resource to meet contractions of credit entailing withdrawals of deposits at due dates. The fluid resource kept by it must suffice to meet its own requirements and those of primary societies which have entered into arrangements with it.

For limited liability societies with deposits under Rs. 20,000 and for unlimited societies as a whole, the standard of fluid resource to be maintained may be left to the Registrar's decision. The Apex Bank should maintain as fluid resource a sum sufficient to cover one-third of the possible liabilities for the ensuing year. In primary urban banks with deposits of or over Rs. 20,000 every effort should be made to work up to the standard recommended for the Apex Bank.

Fluid Re-
source for
Fixed
Deposits.

As regards fixed deposits, it is sufficient to maintain as fluid resource 30 per cent of the fixed deposits falling due within the next six months, or 50 per cent of those falling due within the next 30 days, whichever is higher.

For current
Accounts.

With regard to current accounts, notice of large withdrawals might be required; failing this, the standard of fluid resource may, provided proper care and precautions are taken, be fixed at 40 per cent. The same standard will be required in respect of the undrawn balance of cash credit to societies and members.

For Savings
and Thrift
Deposits.

Societies should be required to keep 25 per cent of savings and thrift deposits as margin.

For Cash
Credits.

The Apex Bank should be required to maintain in the form of fluid resource at least 40 per cent of the amount of cash credits allowed to other societies.

Form of
Fluid Re-
source

As a rule, fluid resources should consist of—cash in hand, the undrawn cash credit with a recognized Bank, and 80 per cent of the current market value of authorized securities.

Facilities to
be obtained.

Adequate cash credit and overdraft facilities may be obtained from the Bank of Mysore by the Central financial institution.

The Apex Bank should in its turn afford similar facilities to urban banks receiving large deposits.

Securities held in respect of the reserve fund cannot be regarded as normally available as fluid resource, and the investments should be kept distinct.

Periodical
Reports.

All credit societies should submit quarterly statements to the Registrar, showing in detail that the rules in respect of fluid resources are being observed. The reports of the central institutions should be reviewed by the Registrar and copies of his reviews submitted to Government.

Surplus
Fund.

Surplus Funds (*i. e.*, superfluous money) in urban societies should be regularly passed on for deposit to the Provincial Apex Bank.

Special
Banking
Business.

There is no objection to urban co-operative societies doing all kinds of banking business to meet the requirements of their members; but they should be debarred from entering into forward delivery contracts in any market either on their own account or on account of their members. The granting of cash credits, dealing in cheques, and clearing and remittance business, should be encouraged. The discounting of inland bills may be permitted in the case of urban banks.

Urban banks may also be permitted to advance money on the security of gold and silver ornaments, on the former up to 75 per cent and on the latter up to 50 per cent of the value.

Sufficient cash balances should be kept by urban banks with the Apex Bank, while receiving from the latter adequate discount or re-discount facilities.

Concessions
to Co-opera-
tive Insti-
tutions.

The prior claim which is conferred by section 19 of the Regulation, should be made effective by its being replaced by a "first charge".

Concessions similar to those enjoyed by the Land Mortgage Bank under sections 66 and 73 of the Regulation may be granted to co-operative institutions, in the matter of the distraint and sale of the produce of mortgaged property through the Registrar, and the registration of documents on behalf of an institution.

without insisting on the appearance of a representative of the institution.

*Co-operative societies may be placed in the same position as land mortgage Banks under section 75 in the matter of the burden of proof as to the binding character of the purpose of debts.

It is desirable to exempt all societies generally from the operation of the Agriculturists' Relief Regulation, instead of providing for the grant of exemption in particular cases.

Co-operative societies may also be exempted from payment of income-tax and super-tax on earnings from investments in public securities or land mortgage debentures, to the extent of such investments as are necessary for the purpose of their fluid resources and for the investment of reserve funds as prescribed by the rules.

The full measure of exemption originally enjoyed by societies in the matter of the court fee payable on suits filed in the Registrar's Court, may be restored as soon as financial conditions will permit. In the meantime, where a decision is passed without contest and on the agreement of parties, half the institution fee may be refunded as is done in Civil Courts.

Financial aid may legitimately continue to be given by the State to encourage new societies and new forms of co-operation as well as extensions of the movement in particular directions.

The spread of co-operative education and the provision of suitable institutions for teaching and training are as much proper objects for State aid and patronage, as they are for active support from co-operative institutions.

State Aid.

Provision for Co-operative Education.

CHAPTER VIII.

LONG-TERM FINANCE.

The combination of short and long-term finance is inadvisable and likely to lead to disastrous results. Long-term finance should be left entirely to land mortgage and other special institutions. In classifying purposes and periods some elasticity is desirable. The description "short-term" may include advances up to five years, those ranging between five and ten years being classed as "intermediate"; loans for periods exceeding ten years will then fall under "long-term." The policy indicated must be given effect to steadily and systematically, so as to correspond with the extension of land mortgage and other long-term facilities.

Policy as to long-term finance.

While land mortgage institutions should as a rule confine themselves to long-term finance, leaving the ordinary credit societies to undertake short-term credit, it is not unreasonable that, when a land mortgage bank lends money on the security of land, it should also provide a small margin for working expenses in the shape of a floating advance which will be a first charge on each year's crop.

Short-term cultivation loans.

The minimum limit of Rs. 500 for loans tends to shut out many persons whose needs are more moderate, and may be lowered to Rs. 300 in the interests of the smaller agriculturists, provided the minimum period is also reduced to twenty years.

Limits of loans.

The rate of interest charged on loans, namely, eight per cent, is too high under existing conditions, and far beyond the capacity of the ordinary agriculturists. The rate charged should not, as a rule, exceed six per cent.

Rate of interest.

The concession asked for by the Land Mortgage Bank, in the matter of the continuance of the annual grant of Rs. 5,000 for working expenses for two or three years more, may be granted on the understanding that immediate effect is given to the lowering of the rate of interest. Given without such extraneous aid, and under normal conditions, allowing a margin of one and a half per cent for meeting expenses, it ought not to be difficult for the Bank to lend at six per cent the money it is able to get at four and a half per cent or less.

Should be lowered to six per cent.

The tacking on of valuation work to Circle Inspectors is not a satisfactory arrangement, as the Inspectors cannot do the work promptly along with their ordinary duties of a varied

Valuation and investigation.

character. A paid staff for the investigation of loan applications seems quite necessary in addition to the local committee members. The cost will have to be borne by Government for the next few years, after which the Central Land Mortgage Bank should bear it, the affiliated societies contributing from the realizations under appraising fee.

Delays in
granting
loans.

The disposal of loan applications and disbursement of loans sanctioned may be accelerated by the adoption of the various suggestions made in the Report.

Solution of
problem
of rural
poverty.

The final solution of the problem of rural poverty lies in a material improvement of the economic position of the raiyat population, through the steady pursuit of a policy aimed directly at that end. Such a policy will make provision, among other things, for actively helping the agriculturist to adopt improved methods of cultivation familiarized through demonstration and instruction, and by the advance of any necessary capital; for the introduction of subsidiary occupations which will tend to add to his ordinary income from agriculture; and for the gradual expansion of education among the rural population.

Control of
usury.

There is need for effective legislative action, on the one hand, to control the transactions of money-lenders and minimize unscrupulous and dishonest practices on their part, and, on the other, to afford relief to borrowers from some of the harsher incidents of unrestricted usury. Some sort of restrictive control is necessary over the transactions of professional money-lenders. Such control is not likely to be effective without provision, among other things, for compelling this class of persons to obtain licenses, to maintain regular accounts of their transactions, to grant receipts in due form for all payments received, to furnish their debtors every six months with verified statements of their dues, or in the alternative to give pass books recording all receipts and payments as well as interest charged, and to abstain from charging excessive interest or compound or penal interest. The courts should be empowered to disallow interest in the case of any wilful omission or neglect on the part of the creditor of the obligations laid upon him; also to reduce the rate of interest where it is excessive, and generally to enforce fair and equitable dealing between the parties. Legislation as suggested above should also reserve power to Government to impose such special restrictions as may be considered necessary to protect borrowers from the irregular methods and exactions of Pathan and Marwari usurers.

Usurious
Loans
Regulation.

The Usurious Loans Regulation is defective, in that it places on the debtor the burden of proving that the rate of interest charged is excessive and that the transaction is unfair; the scrutiny of transactions and the disallowing of usurious interest is left to the discretion of the Court instead of being made imperative; and what constitutes excessive interest is not defined. Action has to be taken to remedy these defects, and also to make the provisions of the Regulation more widely known among the classes affected.

Consolidation
of
enactments.

It would be an advantage if the connected provisions of law for the relief of indebtedness, now contained in several different enactments, could be consolidated.

Machinery for
Conciliation
of Debts.

Any measure of general debt conciliation, if it is to be effective, must, in the first place, provide an impartial tribunal some at least of whose members have had judicial experience, but all of them inspired by the desire to deal justly and equitably with all parties, while unhampered as a board by technical rules of law and procedure. Settlements must as a rule be based on mutual agreement or compromise, not on compulsion; the Board may advise and persuade, but not coerce, the parties. In cases where parties are themselves unable to reach a voluntary agreement but are not opposed to a decision on equitable grounds being given by the Board, there can be no objection to the latter exercising functions in the nature of a final arbitration. Since the debtor is not always in a position to make a "fair offer," the Board may be empowered to frame a fair and reasonable scheme for the consideration of the parties.

Provision has also to be made for helping the debtor to pay off the conciliated debt immediately. No organization save Government can command resources adequate for debt conciliation on an extensive scale; but where the amount involved is likely to be very large, and the number of cases to be dealt with is quite considerable, direct liquidation by Government agency is impracticable. The help of the Land Mortgage Bank may be utilized in all cases where the debtor can offer adequate security and has sufficient surplus income from which to pay the instalments of the debt according to settlement.

Payment of
conciliated
debt.

The ordinary co-operative credit societies may be able to help their indebted members to a limited extent, where the total amount involved is, say, below Rs. 250, and the period required for repayment does not exceed ten years. In other cases affecting agriculturists of small means, the liquidation of compounded debts may appropriately be effected through loans granted by the State under a special enactment for the grant of such loans. Apart from such cases, the Land Mortgage Bank is, by its functions, resources and method, best suited for the task in view, provided it is empowered to raise the funds needed through the issue of further debentures guaranteed by Government.

Agency of
ordinary
credit
societies and
of Land
Mortgage
Bank.

Direct conciliation through the medium of co-operative and land mortgage societies may occasionally be possible. But it can only be done on a purely voluntary basis, and on the understanding that in all such cases the societies are prepared to help the debtor to discharge his liabilities and in the last resort to take them over themselves.

Direct con-
ciliation
through
societies.

The requirements of the class of large landed proprietors, among them owners of the bigger Indian coffee estates in the Malnad, whose debts exceed Rs. 10,000, cannot be adequately met by the ordinary co-operative societies or by the co-operative Land Mortgage Bank, owing to the nature and extent of the financial assistance required. The needs of these large owners can only be met by the formation of a special type of Mortgage Bank.

Credit re-
quirements of
large proprie-
tors.

It will be an advantage to utilize the services and local knowledge of co-operative and land mortgage societies for the distribution of Takavi and Land Improvement Loans. In fact, it is advisable that loans to members of such institutions should be generally made through them and not directly. But societies must in that case be given the same rights of priority and the same privileges as to recovery of dues as are applicable to the case of loans granted direct by Government.

Takavi
Loans.

PART III.—Administration.

CHAPTER IX.

REGULATIVE FUNCTIONS.

Audit, whether conducted through departmental officers or through outside auditors, should extend somewhat beyond the bare requirements of the Regulation, and embrace an enquiry into all the circumstances which determine a society's general position.

Scope of
Audit and
functions of
Auditor.

The auditor must satisfy himself that the books contain a proper record of the transactions entered into. He should make a searching examination of the accounts with the vouchers and the authority for each item of expenditure examined. The auditor must test the transactions exhaustively; and should his report disclose anything irregular, steps must be taken to have a complete audit made.

A form of audit report should be prescribed, both for the departmental Inspector-Auditors and for the non-departmental certified auditors. The form prescribed should indicate the points on which enquiry should be made and the details to be furnished.

Form of
Audit Report.

Audit notes should not be treated as confidential. The auditor's report should be included in the annual report and

Publication
of Audit
Reports.

placed before the general meeting. Central financing institutions should receive free of charge copies of audit reports of all societies indebted to them. They should also have facilities for making such further enquiry as they may consider necessary to safeguard their own financial interests.

Half-yearly
Audits.

To avoid delay in departmental audit reports, audit should be divided into two parts, preliminary and final; and societies must be visited for preliminary and final audit at intervals of six months.

In urban societies with large transactions the reports of auditors may with advantage be prepared once every half year and considered at general meetings held every half year. This will also allow of annual meetings being held much earlier than at present.

Audit
Agency.

Since the law vests in Government the undivided responsibility for audit, the control of audit as a whole and of the paid staff therefor must be with the Registrar.

The accounts of societies having a working capital of Rs. 5,000 and above should be audited through certified auditors authorized by the Registrar after consultation with the society concerned.

The Registrar should fix the remuneration of the auditors selected on a sliding scale based on the transactions, working capital and net profits of each society. Each auditor will be assigned a certain number of societies. It is desirable that the same person should not audit a society's accounts for more than two years consecutively.

Audit on
behalf of
Societies.

The societies so audited should be required to make contribution towards the cost according to a scale recommended.

No alteration is required in the arrangement by which a few of the large rural societies are having their accounts audited in detail by competent local auditors and accountants.

Banks and societies must pay the cost of their own separate audits.

Concurrent
Internal
Audit.

Over and above the audit made by the departmental staff or by an external auditor, every society, large or small, should make arrangements for a continuous daily, or at least weekly, internal audit of the accounts, by the committee or by one or more of its members deputed for the purpose. Where a society can afford it, a separate audit clerk should be appointed, who will work directly under, and be responsible to, the president for the checking and auditing of the accounts of the daily transactions.

Audit
Unions.

A scheme for the formation of Audit Unions,—while it may make for uniformity in the system of audit and provide for co-ordination of the closely allied functions of audit and supervision—is not at present practicable in the absence of a strong and efficient co-ordinating Institute at the centre.

Supervision.

The present arrangements for supervision are unsatisfactory and defective, especially in the case of rural societies.

The case of
Central and
Urban insti-
tutions.

The powers of control now vested in the Registrar are sufficient for all practical purposes, and do not require to be amplified. It is in the scope for the exercise of these powers that some discrimination seems to be required. So far as urban societies are concerned, barring gross and exceptional cases of mismanagement or financial breakdown, there should be little occasion for interference on the part of departmental officers beyond the discharge of their ordinary functions of audit and inspection. Any advice required of them will be technical rather than administrative. In fact, in the case of the Central institutions and of the well-established urban banks, interference should be exceptional; and in every case where this is found necessary, a report of the circumstances should invariably be made to Government for information with a copy of any representation submitted by the institution concerned.

The case
of Rural
Societies.

In the case of rural societies, the supervision that is required has to come largely from departmental officers. But even here, the ultimate aim should be to entrust the work of supervision as far as possible to non-official agency where this is available, preferably to persons chosen by the societies themselves, either individually or in groups or federations.

A scheme of non-official supervision is more likely to succeed if associated with the work of propaganda and advice than if it were based on the idea of superior status and outside control. In order to achieve this object, it is recommended that active steps be taken to form local associations representative of the co-operative societies in every District. If the Provincial Co-operative Institute is reconstituted and placed on an efficient footing, these local associations may well function as branches of the Institute.

Non-official
Supervision
through local
associations.

It is in the interests of sound management to have the constitution, working and financial condition of societies thoroughly overhauled at regular intervals of not less than five years. It is particularly desirable that a periodical inspection of each Central financing bank should be made by the Registrar.

Inspection.

The adoption of various precautionary measures against frauds and irregularities in societies is suggested.

Precautions
against mis-
conduct, etc.
Education
and Training.

Any serious attempt at the improvement of co-operative societies must include a proper organization for giving suitable training, as well to the office-bearers of societies, as to the Inspectors, Auditors and Assistant Registrars of the Co-operative Department. The present arrangements for instruction and training are inadequate.

There is a real necessity for the establishment of a Central Co-operative School at Bangalore. Its control must necessarily vest in Government, but may be exercised through the agency of a small Committee nominated by Government and including non-official representatives of the Co-operative movement as well as the heads of the Departments of Finance, Agriculture, Industries and Co-operation. Detailed suggestions are made regarding courses, subjects of study, examinations, appointment of qualified persons, etc. Occasional classes for short periods may be held in District headquarters and in Normal Schools.

Need for a
Central
School.

The cost of the Central Co-operative School and of the occasional classes will have to be met partly (and in the earlier years for the larger part) by a Government grant, and partly by a contribution from societies not exceeding five per cent of their net profits, according to resources.

Cost.

Co-operation may be dealt with as part of Civics in High Schools, and lessons illustrative of its benefits included in the text books in Middle Schools. The subject should have a more prominent place in the teaching of Economics in Colleges as well as in the University curriculum. Co-operative Law, Finance and Practice should be included among the subjects for Local Service and Pleaders' Examinations, and an examination in that subject made compulsory for certified auditors.

Teaching of
Co-operation.

CHAPTER X.

CORRECTIVE FUNCTIONS.

The introduction of an intermediate stage of "winding up" (as in Burma and Bombay), prior to actual cancellation of registration, will remove certain anomalies, allow of a society being revived after its affairs are put in order, and obviate resort to compulsory liquidation.

Winding up
prior to can-
cellation of
registration.

The power of compulsory liquidation is not preventive, but punitive, and its employment should be postponed as far as possible till milder remedies have been tried and found ineffective. It should only be resorted to when all methods of recovering arrears—persuasive or coercive—are exhausted, and most of the outstanding debts are either bad or irrecoverable.

Compulsory
liquidation.

The Regulation does not require notice to be given before registration is cancelled or winding up is ordered. A rule may be prescribed requiring two months' clear notice to be given to the society specifying the ground of the proposed order.

Notice prior
to cancella-
tion or wind-
ing up.

The orders of the liquidator in regard to the collection and distribution of assets have at present to be enforced by application to the Civil Court, with its attendant delays and difficulties. Provision may be made (as in Bombay and Madras) for the

Enforcement
of orders of
liquidator.

	summary recovery of members' debts under the liquidator's orders through execution by the Revenue Department in the same manner as arrears of land revenue.
Contributions in case of unlimited liability.	With a view to prevent abuse or misapplication of the discretion given to the liquidator to determine the contributions to be made by members, it is necessary to lay down by rule that any deficit should, after the full payment of shares, be recoverable by a series of <i>per capita</i> levies upon the members to the full extent of their property. This will equalize the individual burden at each levy, and so leave less discretion to the liquidator.
Agency for liquidation.	The services of suitable non-official gentlemen may be secured on payment of a commission of 5 per cent on realizations; otherwise, one of the Registrar's staff may be utilized.
Amendment of provisions regarding liquidation.	The law as contained in section 42 of the Regulation requires to be amended in certain respects. Section 42 B should be extended to cover cases of apprehended disposal or removal of property after passing of the order and before it is sought to be put in execution.
Reference of dispute on default of action by Committee.	To provide for cases in which action to recover debts due is purposely delayed or not taken because the defaulter happens to be the Secretary himself or one of the other committee members or other influential person, the Registrar should have power to require the committee to make a reference within a specified time, and, on its failure to do so, to direct the Inspector or some other person nominated by him to make the reference.
Honorary Assistant Registrars.	The disposal of disputes would be materially helped if qualified persons were appointed as Honorary Assistant Registrars, at least one for each District and each important headquarter town, where such persons are available. Honorary Assistant Registrars may be given a moderate carriage allowance.
Fee for Arbitrators.	A panel of Arbitrators should be maintained for each District; Arbitrators should be paid, where necessary, a small fee for meeting incidental expenses, which need not exceed annas eight or rupee one per case. In exceptional circumstances, a higher fee may be specially allowed (including actual travelling expenses, if any).
Reference to Civil Courts.	The Registrar's discretion to refer a dispute to a Civil Court should be freely used where both parties desire it, or where the case involves complicated issues either of law or of adjustment of accounts on which the decision of a judicial tribunal would be desirable.
Limitation in relation to Co-operative disputes.	On the difficult question whether disputes under the Co-operative Societies Regulation are or are not governed by the articles in the Limitation Regulation applicable to suits, the Committee's conclusion is that,—subject to any special provisions in the Co-operative Societies Regulation, like sections 23 and 24,—the articles as to suits in general contained in the Limitation Regulation do apply to disputes.
Period to be extended.	In view of the special circumstances applicable, co-operative societies as such should have a longer period of limitation than that ordinarily available, within which to bring up disputes under the Co-operative Societies Regulation. A general provision doubling the usual period of limitation for suits (other than suits on hypothecation or mortgage) when brought by or on behalf of societies under the Co-operative Societies Regulation seems reasonable and desirable. The benefit of the increased period, when enacted, should be given to disputes referred within a specified time after the enactment comes into operation.
Power to Registrar to recover dues.	The opportunity may also be taken to make it clear that, when a decision of the Registrar or of an arbitrator has to be referred to the Civil Court after the close of infructuous proceedings in the Revenue Department (as in cases coming under Section 187A of the Mysore Land Revenue Code), limitation should only begin to run after the termination of the Revenue proceedings and upon a formal reference by the Registrar to the Civil Court for execution. The starting point should be the date of issue of the sale certificate, and not that of the confirmation of sale. The addition to the Mysore Co-operative Societies Regulation of a provision on the lines of section 57 of the

Act, empowering the Registrar, without prejudice to any other mode of recovery provided, to recover all sums due under a decision, award or order or under a civil court decree, by the attachment and sale of the property of the person against whom it has been passed, will be most useful, and tend to make execution more effective in many cases.

In cases where the managing committee of a society takes no action to put the decision or award in execution, or delays action owing to reluctance to proceed against an influential member or for other reason, the Registrar should take the necessary steps on his own initiative.

Power to initiate execution in default of action by Committee.

Section 43C (i) does not expressly state that the party seeking execution has a choice in the selection of the mode of execution. The point may be made clear.

Choice of mode of execution.

Better results in the matter of the execution of co-operative decisions through the Revenue Department can only be attained by the exercise of adequate control over the work of the agency (ordinary and special) entrusted with execution work, and by close co-operation between that agency and the committees of the societies which hold the decrees for execution.

Execution through Revenue Department.

A wholesale transfer of the work to the Co-operative Department is not necessary or practicable at the present stage, in view of the large addition to staff and heavy charges of execution that would be entailed. The general transfer of execution work to the Civil Courts is not likely to result in greater expedition or in the reduction of cost to parties. Execution may ordinarily remain with the Revenue Department, but the higher Revenue Officers should interest themselves much more closely and actively in the progress and speeding up of the work.

Alternatives considered.

At the same time, the quantity of execution work of all kinds that has to be done seems to justify the immediate employment of a special staff of Revenue Inspectors solely for such work in some, if not all, of the districts. One Special Inspector may be entertained for one or more taluks according to the quantity of the work. It may be eventually necessary to have a specialized agency for each district solely concerned with the recovery of societies' dues and wholly paid out of the fees levied, and to place it under the charge of a Special Officer of the grade of an Amildar.

Special Recovery Staff.

A scheme for the appointment of Special Recovery Officers, as in Madras and Bombay, may be tried in Mysore, the staff being at first on a temporary basis; if it be found to be self-supporting, as well as permanently useful and effective for its main purpose, the question of its further continuance may be considered in the light of such experience.

Much avoidable time is now taken up in the transmission of co-operative decrees through the regular channels to the Revenue Inspector. There is no reason why a decision should not be sent direct from the Co-operative Department to the Amildar of the Taluk where it is to be executed.

Transmission of Decree.

The Secretary of the society concerned should take the initiative in applying to the Amildar for execution, with all necessary particulars as regards the defaulter and his assets.

Contact between Society and Revenue Agency.

It is important that societies should have adequate contact with the proceedings in execution, and that they should invariably be consulted before action affecting their interests is taken, such as the grant of time to the debtor or the cancellation of a sale. The special Revenue Inspectors are expected to give due intimation to societies before taking action. The Secretary of the society should also keep in touch with the Revenue Inspector during the course of execution proceedings.

The purchaser of property at a revenue sale in execution of a co-operative decree should be placed on the same level as to obtaining possession, as a purchaser of an occupancy or alienated holding under a sale for land revenue arrears. It will be open to any person claiming in good faith to be in possession of the property on his own account or on account of some person other than the judgment-debtor to seek redress from the Civil Courts.

Possession of property sold in execution.

Purchase by Societies.	<p>An alteration of the law on the above lines is very necessary, and may be effected at an early date.</p> <p>The purchase of lands by co-operative societies in execution should only be made sparingly and as a last resort. Where, owing to combination or other reason, proper bids cannot be had, societies may have to make their own bids; but they should not be compelled to offer more than what they themselves consider reasonable.</p>
Attachments after decision.	<p>Sub-section (4) of section 43-A empowers the Registrar to direct a conditional attachment of property prior to decision. Such a power may advantageously be extended to cases of apprehended alienations by defaulters in the interval between the passing of the decision and the actual initiation of execution proceedings.</p> <p>The Land Revenue Code should be amended so as to provide for the attachment of immovable property sought to be proceeded against for the realization of societies' dues.</p>
Voluntary payments.	<p>When a judgment-debtor voluntarily deposits the decreed amount subsequent to the initiation of execution proceedings, he need not be required to pay the usual percentage contribution towards costs, in cases where execution has not actually been set on foot and no cost has therefore been incurred.</p>
Attachment of salaries.	<p>Where there are more decrees than one requiring execution against the same official, the head of the office concerned must be required to make rateable distribution of the permissible amount among all the decrees.</p> <p>Apart from cases where decrees have been obtained, heads of offices may well co-operate in making periodical recoveries from the salaries of employees who have agreed in writing to this mode of discharging loans contracted from societies.</p>
Prosecutions and Suits.	<p>In order to protect office-bearers of societies from unnecessary harassment, the Registrar should be given an opportunity to examine all cases of alleged misconduct on the part of members of managing committees, before criminal prosecutions are launched.</p> <p>Similarly, in cases of civil liability, not falling within the definition of a dispute, it must be made obligatory to serve a notice on the Registrar at least two months before filing a suit against a society or its managing committee, so as to give the Registrar sufficient opportunity to look into the matter and save the society from unnecessary litigation.</p>

CHAPTER XI.

GUIDANCE AND CONTROL.

Ultimate goal.	<p>Subject to the considerations that the ultimate goal is the development of a genuinely co-operative self-contained organization, and that a certain measure of external supervision and control is indispensable for the safety and steady progress of the movement, the aim should be as far as possible to popularise the movement as a whole, and to promote a sense of responsibility among the members of societies. Official control should be slackened wherever possible.</p>
Honorary Agents.	<p>It is desirable to revive the scheme of Honorary Organizers on improved lines as soon as financial conditions will permit.</p>
Provincial Co-operative Institute.	<p>The Mysore Co-operative Institute may be reconstituted on a more satisfactory basis, with well defined objects which will be carried out continuously through the year, and with a sufficiency of funds made up partly by an enhanced Government grant but mainly by contributions from societies in the State according to their working capital or net profits or other recognized basis of computation. The management must be vested in a Board representing all the main types of co-operative activities and interests in the State, and including a few members (not necessarily officials) nominated by Government and connected with important branches of business or industry.</p>

In addition to the Provincial Co-operative Conference at the Capital, District and Taluk Conferences may also with advantage be held occasionally. Periodical Conferences.

It is desirable that the Registrar should at least once a year arrange for a periodical Conference, attended by selected officials of the Department and by non-officials interested in the working of co-operative bodies, for the discussion of important matters connected with the movement.

Urban institutions should be encouraged and helped to hold special Conferences (either separately or as sections of the Provincial Conference); so also house-building, stores and other special types of societies.

Both official and honorary workers should be encouraged to study co-operative developments in other parts of the country. Study.

The Registrar should control the supply of outside loans and keep a watch over the large sums deposited by the public. The maximum borrowings of all classes of societies and the adoption of the ruling rates of interest should be under his general control. The Registrar must remain responsible for the control of audit until the movement is strong enough to arrange for an independent audit system which will command general confidence. The Registrar should have power to revise an award or order of an arbitrator in order to rectify obvious errors resulting in injustice or hardship. Powers and duties of Registrar.

Suggestions are made regarding the qualifications, status and training of officers selected as Registrar, and Deputy and Assistant Registrars.

Having regard to the heavy and growing work of the Registrar's Office, it will be desirable to depute one of the Assistant Registrars exclusively to help the Registrar in that work. Superior Controlling Staff.

It will be desirable to have a separate branch of the Department, under the Deputy Registrar, to deal with the agricultural, industrial and other non-credit sides of Co-operation, which have not been sufficiently developed, as well as with the Land Mortgage scheme.

As it will not be possible for the remaining officers to look after the district work satisfactorily, it will be necessary to increase their number by two, on the view that about 300 societies form an adequate charge for a Divisional Officer.

There may ordinarily be two grades of Assistant Registrars, one on Rs. 150—25/2—250 (the same as for Amildars), and another on Rs. 250-40/2-450 (as for Assistant Commissioners) promotion to which should be by special selection only. The Deputy Registrar may be given the same grade as a Senior Assistant Commissioner, namely, Rs. 500—50/2—600.

Men who are markedly inefficient or have no aptitude for co-operative work should be weeded out by retirement or by transfer to other duties. Recruitment should hereafter be confined to graduates, preferably those who have taken up Economics as their subject, and have had training in Book-keeping and Auditing. Selected candidates must undergo training in Co-operative Law, Finance and Practice. Every Inspector should be able to do audit work as part of his duties. Subordinate Controlling Staff.

About 35 to 40 societies is the largest number a single Inspector can efficiently attend to. On this basis, it will be necessary to increase the number of Circle Inspectors from 42 to about 55.

It will be desirable to have, in addition, one Inspector for each Assistant Registrar's charge who will be concerned mainly with liquidation, statutory enquiries, and other special duties entrusted to him.

Inspectors may be in two grades, one on Rs. 40 rising by annual increments of Rs. 5 to Rs. 75; and another rising from Rs. 80 to Rs. 125 by annual increments of Rs. 5. The number of men in each grade should be so fixed as to allow of a fairly free flow of promotion.

The stamp of men at present employed as Supervisors is satisfactory. Selections should be made from men who have

Co-ordination
between
Departments.

passed a qualifying examination. There should be scope for the appointment of exceptional men among Supervisors as Inspectors.

Co-ordination between the Departments of Co-operation, Agriculture and Industries is absolutely essential if the full benefits of the activities of these Departments are to be available to the people at large. This will be greatly facilitated by the formation of a Committee consisting of the Heads of the Departments mentioned and presided over by a Member of Council.

Expert
Advice.

Substantial progress in non-credit forms of co-operation can only be secured if expert advice is liberally given, whether directly by the technical Department concerned, or through the loan of technical officers to the Co-operative Department.

Support and
sympathy of
District
Officers.

The active support and sympathy of local revenue officers will be more largely secured by their being given a place on local associations or branches of the Provincial Co-operative Institute.

Non-official
opinion.

No important change of policy should be embarked upon without consultation with responsible non-official opinion. As one means of making such opinion always available when required, the Committee supports the suggestion made for the formation of an Advisory Committee—at first wholly nominated—consisting of representatives of different types of co-operative activity, of banking and commercial business, and of law. Such a Committee should be of special help in connection with the framing and alteration of rules, by-laws and forms of accounts.

Increased
representa-
tion to the
Co-operative
movement.

The proposal that representation on the Legislative Council and increased representation on the Representative Assembly should be given to the co-operative movement is commended for favourable consideration.

Participation
by Govern-
ment
servants.

The restriction recently imposed, by which Government officers and officials are required to obtain the previous sanction of Government (through their Departmental Heads) before even standing for election or re-election to committees of Central and urban societies, may be removed and the earlier rule reverted to.